PayStream
ADVISORS

2016 Contract Lifecycle Management Report

Ensuring Strong, Secure B2B Relationships with Contract Lifecycle Management (CLM) Software

Q1 2016 | Featuring insights on...

» Current Market Trends in Contract Management Processes

» The Benefits of Contract Management Automation

» Features and Functionalities of Leading CLM Software

» A Leading CLM Software Provider

Underwritten in part by

OnBase®
by Hyland

Contents

Introduction

In any industry and for companies of any size, the key to a successful Business-to-Business (B2B) relationship is the efficient management of all relating information. This information includes not only supplier and payment data, but also the history of the relationship, the expectations of both parties, and the interaction's critical legal and business requirements. The most efficient way to handle B2B information is with a standardized contract management process.

Contract management is essential for an organization to properly and efficiently conduct long-term business with its suppliers, partners, and employees, as well as to ensure compliance with legal and corporate mandates. However, as today's government and tax regulations and global supply chains become increasingly complex, organizations must handle these contracts with more precision. Successful contract management is especially difficult when contracts are handled with manual, paper-based processes; many organizations struggle to record accurate contract information, maintain contract deadlines, and properly identify contracts that are out of date or no longer profitable. This leads to high processing costs, compliance and security risks, and delays and weaknesses in supply chain operations.

To handle these struggles, many organizations have reorganized their internal structures to support a centralized contract management team. While this structure enables an organization to manage its data in a more streamlined manner, centralization alone does not bring full efficiency to the process. A vital factor in truly secure and efficient contract management is the addition of a robust contract lifecycle management (CLM) solution.

Contract management software electronically manages contract lifecycles from creation to execution to post-contract analysis. This software includes tools for internal authoring and collaboration, external negotiation, legal review, and contract tracking. CLM reduces processing costs, speeds up negotiation times, ensures fluidity in the supply chain, and increases visibility into the statuses and profitability of active contracts.

PayStream Advisors' 2016 Contract Lifecycle Management report highlights the ways in which CLM solutions ensure business success by controlling a contract throughout its entire lifecycle. This publication will also explore the current trends in contract management processes among organizations and explain the features of leading CLM solutions.
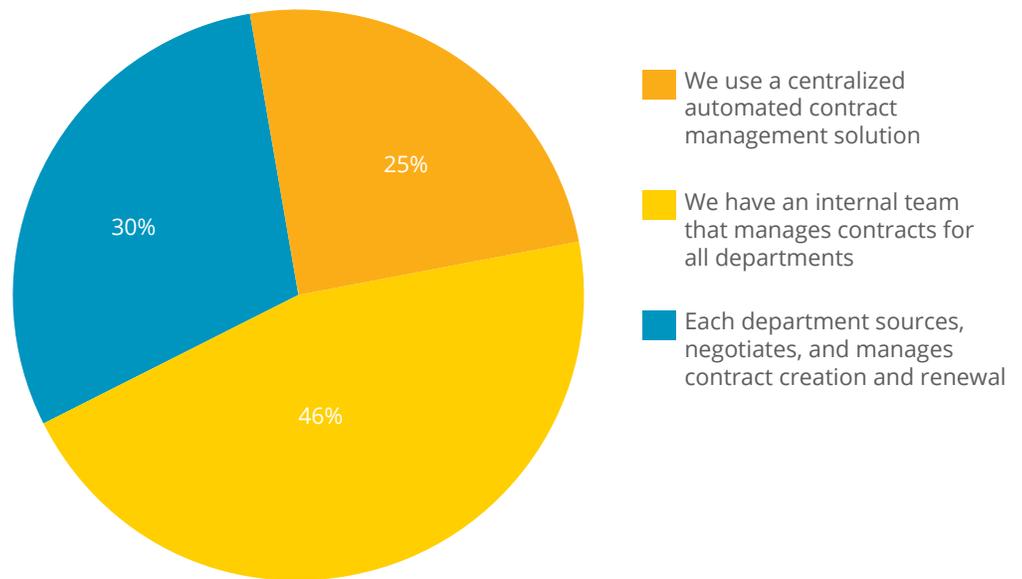
The Current State of Contract Management

Contract lifecycle management is one of the most effective and practical solutions for automating back-office processes, as it dynamically manages and monitors important business documents while ensuring their security. However, despite its value, few organizations use the technology. In a recent survey, PayStream Advisors asked over 200 individuals employed in many different industries about their contract management processes. According to the results, only 22 percent of organizations are currently using a solution to automate the contract management process, see Figure 1.

Figure 1

Less Than One-Quarter of Businesses Use a CLM Solution

"Please describe your contract management process."

- 25% — We use a centralized automated contract management solution
- 46% — We have an internal team that manages contracts for all departments
- 30% — Each department sources, negotiates, and manages contract creation and renewal
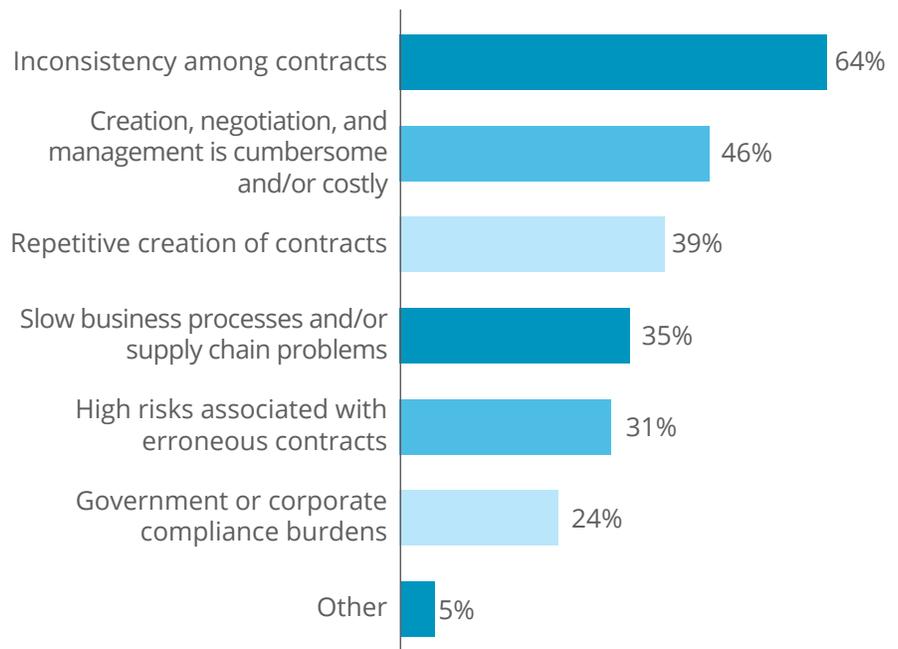
Survey data shows that even without wide adoption of CLM solutions, many organizations are still handling their contract management in a centralized manner, as almost half of organizations have internal teams that manage contracts for all departments. Although this is more efficient than a decentralized approach, these contract management teams are still experiencing processing pains.

When asked what challenges they face in contract management, many organizations reported trouble with inefficient processes, see Figure 2. These organization struggle with inconsistency and redundancy in contract data, and the processes used to create, negotiate, and manage contracts are cumbersome, expensive, and slow. In addition, they experience delays in their supply chain movement as a result of slow processes, and compliance burdens from contract errors.

Inconsistency among contracts	64%
Creation, negotiation, and management is cumbersome and/or costly	46%
Repetitive creation of contracts	39%
Slow business processes and/or supply chain problems	35%
High risks associated with erroneous contracts	31%
Government or corporate compliance burdens	24%
Other	5%

PayStream has found that the most common cause of these contract pains is manual processes. Without an efficient electronic procedure for creating, sharing, and monitoring contracts, organizations frequently overspend time and money running inefficient, manual-based processes, then spend more to correct the resulting problems.

Organizations also incur great risks in their supply chain operations by inefficiently managing contract data. For example, if a contract with a new supplier cannot be drawn up quickly and correctly, projects and orders remain unfulfilled and payments are delayed. In another example, if the renewal date for a long-standing contract is missed
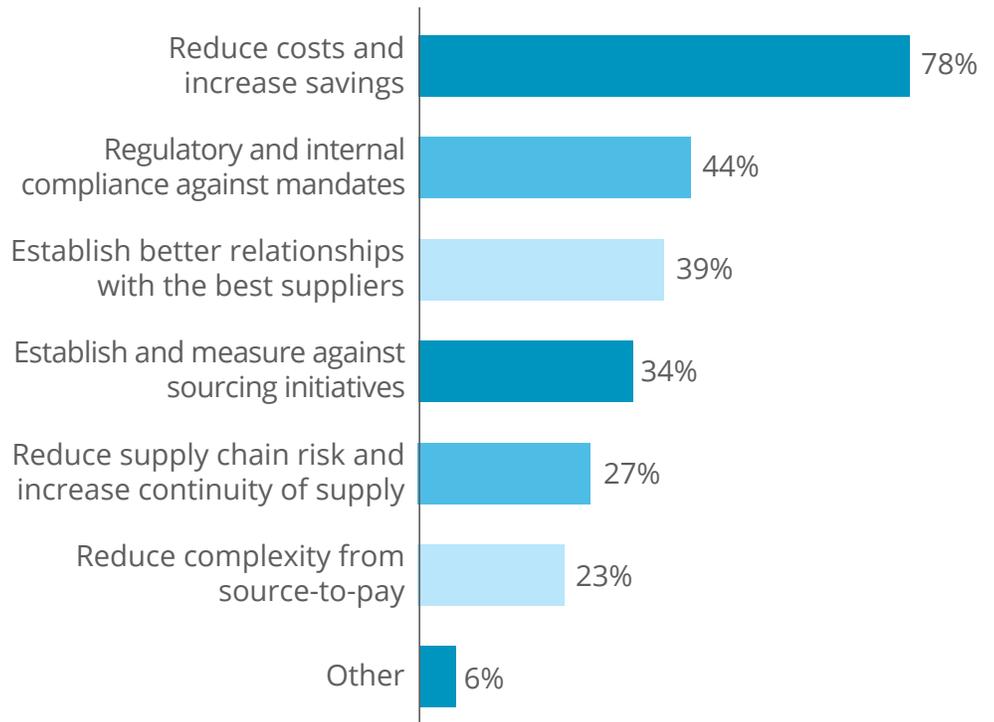
or a contract with multiple milestones is not monitored, a company could miss an important deadline and lose both profits and the client. Alternatively, if a contract includes an auto-renewal clause that is not reviewed and has continued a relationship long after it remains profitable, the organization will lose money and waste efforts without realizing the opportunity to re-negotiate or cancel a contract.

The harmful results of inefficient contract management processes are a rising concern for organizations, and have not gone unnoticed by those organizations' leaders. Contract management teams are experiencing increasing pressure from upper management to enact better procedures and curb the costs of their current methods, see Figure 3. Upper management is also recognizing the importance of better data management, and the critical role that contracts can play in supply chain operations.

Figure 3

Contract Management Teams Are Under Pressure to Reduce Costs and Increase Compliance

"What pressures has your department felt by upper management to evolve your contract management processes?"

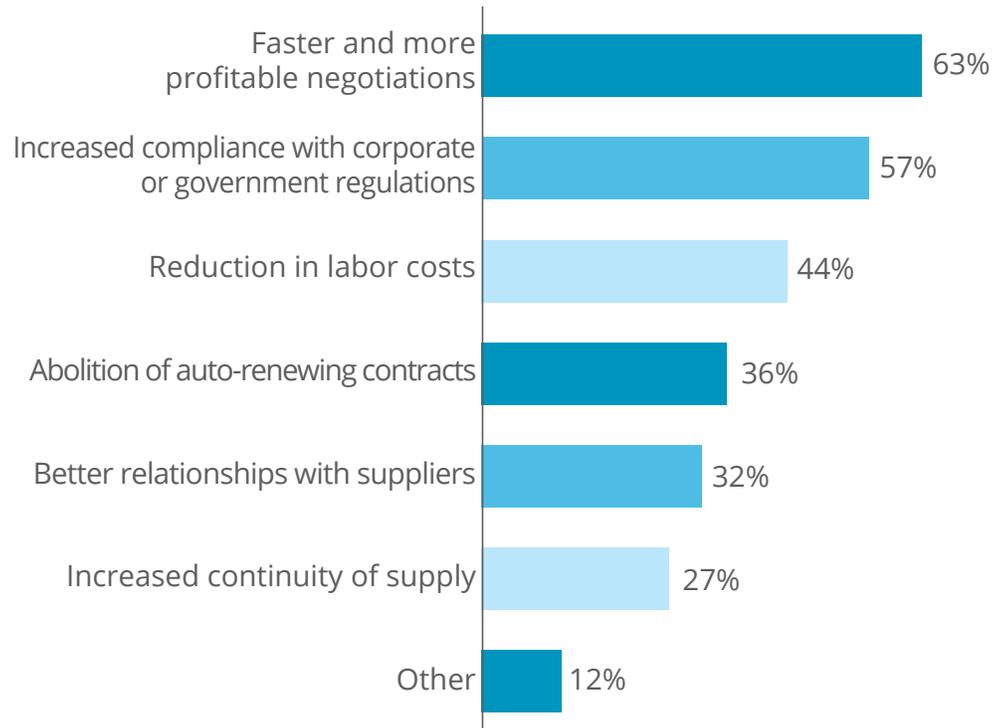|	
Reduce costs and increase savings	78%
Regulatory and internal compliance against mandates	44%
Establish better relationships with the best suppliers	39%
Establish and measure against sourcing initiatives	34%
Reduce supply chain risk and increase continuity of supply	27%
Reduce complexity from source-to-pay	23%
Other	6%

Fortunately, CLM solutions can both soothe the pains that contract management teams experience and appease the expectations of upper management. Survey results show that organizations that have adopted CLM software have achieved many process improvements in negotiation, compliance, costs, automatic renewals, and supply chain operations, see Figure 4. Individual survey respondents also reported that they have reduced the risks that stem from inappropriate contract terms and conditions, improved visibility into existing contracts, more appropriate approval levels, and completeness of contract register.

Figure 4

CLM Solutions Promote Faster, More Profitable Negotiations and Increased Compliance

"Since implementing a contract management solution, what benefits have you achieved?"

Faster and more profitable negotiations	63%
Increased compliance with corporate or government regulations	57%
Reduction in labor costs	44%
Abolition of auto-renewing contracts	36%
Better relationships with suppliers	32%
Increased continuity of supply	27%
Other	12%

The following section explores the capabilities of CLM software that bring the improvements these organizations have gained.

CLM Capabilities

Contract lifecycle management involves negotiating terms and conditions in contracts, ensuring compliance for those specifications, and executing the final terms. An effective CLM solution moves a contract through its system with speed and security, informing an organization of necessary actions along the way.

Leading CLM solutions feature these capabilities:

Authoring and Creation

A contract's lifecycle in a CLM solution begins with the contract request process. An end user can use a pre-configured template to request a contract from the legal department or a designated administrator, and after approval, the solution automatically populates the template with the request information. A contract template can also be automatically populated from purchase orders or sourcing events, if the CLM system integrates with or offers these solutions.

Contract creation templates are highly customizable to ensure that the authoring process is as streamlined and compliant as possible. They can be as simple or complex as the client prefers, and can change according to user, contract type, supplier, or other parameter. Users can also create contracts from scratch depending on their access controls, or recycle and modify old contracts from an archive. Most CLM solutions support the management of a variety of contract types, including employment contracts, international trade agreements, NDAs, and real estate contracts. Users can also extend new child contracts from parent contracts, working much as a master and supplementary agreement operates in Statement of Work (SOW) projects.

To ensure compliant and secure authoring, many solutions include a robust word processing software tool, such as a built-in Microsoft Word application. Some solutions include an interactive clause library from which the author can pull legal text to assemble the contract. These clause libraries are often created by the solution provider in collaboration with the client's legal team upon implementation. Some clause libraries are accessible both in the CLM system and in the word processing tool.

During contract authoring, different users can collaborate on the creation of the contract with an approval workflow. The word processing tool supports version tracking with redlining tools, shows version comparisons, and records all revisions by time and author. It also allows authors to include comments and attach documents that remain with a contract for its lifecycle. All changes are included in the contract's audit trail for future review.

Workflow and Negotiation

Once internal teams have authored a contract, the document can be sent through an approval workflow. Approval workflows can be constructed according to contract type, price, area, and dollar amount thresholds, and can go through both administrative and legal review. The solutions facilitate editing and revision tracking, as well as the ability to leave comments and request extensive changes and to partially reject or approve contracts. Special approval workflows can be constructed for contracts with higher risk, while some providers offer automatic approvals for low-risk contract types.

After approval, the contract goes through negotiation and approval with external parties, which involves many of the same collaboration tools as in the initial authoring process. Suppliers can also access the same tracking, patching, and attachment tools in order to ensure effective collaboration and communication. When all parties have accepted a contract, users can electronically send, sign, and store official documents. Most providers have in-house or partner-supplied electronic signing services, such as EchoSign or DocuSign.

Tracking and Renewal

After all parties approve the contract, CLM solutions continuously monitor the contract throughout its lifecycle. The solution makes sure negotiated terms are fulfilled and deadlines are met, and notifies users of upcoming expirations to prevent lapses in contracts. Many solutions also offer an auto-renewal functionality that is adjustable according to the organization's policies (e.g., a user can designate the number of times the contract will renew automatically before it is no longer active). In addition, many solutions include archival services and configurable search features so that users can search active and inactive contracts for review. This includes the ability to view contract history and attachments.

Reporting and Analytics

Many solutions offer a reporting and analytics module to optimize existing contract and CLM processes. This module includes reporting and auditing capabilities that evaluate data from the entire lifecycle of a contract to determine trends in contract compliance, costs, duration, and other KPIs. Some solutions also offer discovery tools that allow the business to analyze existing business agreements, such as recurring purchase orders or sourcing events, and transform them into more cost-efficient contract agreements. Contract management reporting usually includes pre-packaged report types for common contract measurements, as well as configurable dashboards and graphics. Some providers also facilitate ad hoc reporting and internal benchmarking analysis.

CLM Adoption Best Practices

When organizations look to adopt a CLM solution, they must put a great deal of valuable time- and security-sensitive material in the care of the solution provider. In order to select the most capable and secure software, the organization should evaluate the solution provider by its strengths in the following areas:

» **Onboarding:** There are some risks associated with transferring existing contract data to a CLM solution, especially for organizations moving from completely manual contract management processes. It is important that the solution provider is mindful of the importance of security and accuracy during document migration and onboarding. Many solution providers offer streamlined onboarding services to their clients to ensure that all data is entered into the new system correctly. This may entail data entry, OCR data capture technology, or a separate outsourced onboarding service.

» **Connectivity:** The survey results in Figure 3 reflect organizations' growing focus on improving and streamlining processes between contract management and sourcing, as well as other Source-to-Settle processes. Some CLM providers offer their solution in a spend management suite that includes sourcing, electronic procurement, supplier management, and invoice management software. This promotes holistic Source-to-Settle functionality and allows organizations to easily flip procurement and sourcing documents into contracts. However, if the CLM solution is offered as a standalone feature, the solution provider should have advanced APIs and other connection capabilities to ensure that the solution can properly integrate with all of the client's existing systems. The client should have to do very little IT work with internal teams, and should be able to rely on the provider for the majority of the work as they build their connection and work towards contract management efficiency.

» **Customization:** Customization/configurability is one of the most important features among CLM solutions, as it speaks to their ability to accommodate any organization's unique business structures and the wide variety of business documents they will need to manage. During the authoring process, leading CLM solution providers work with the client to configure contract

requirements that fit company specifications, which can include templates and clause libraries based on business policies and industry standards. The provider also works with clients to create templates for any required contract type that the system did not previously support. In all, an organization should expect extensive collaboration between the software developer, legal department, and contract management administrators to create customized templates, clause libraries, approval workflows, and system controls.

» **Legal Focus:** For many organizations, the ability for the legal department to leverage and control the CLM system is extremely important. Leading CLMs are aware of this need, and many offer special functionality just for legal department users. Providers often collaborate closely with an organization's legal department upon implementation to build any unique requirements into the system, such as in contract templates and clause libraries.

Conclusion

Today's organizations are struggling with cumbersome and non-streamlined processes, unsecure handling of sensitive data, and weaknesses in supply chain operations. Fortunately, leading CLM solutions eradicate these problems by facilitating automated, effortless management of critical business information, and promoting more efficient, profitable operations. PayStream encourages organizations with competitive goals to further explore the advantages of contract management technology. The following profile of a contract lifecycle management solution provider offers more insight into the use and applicability of the software.

OnBase by Hyland

Developed by Hyland Software, creator of OnBase over 25 years ago, OnBase is an enterprise information platform for managing content, processes and cases. OnBase provides enterprise content management (ECM), case management, business process management (BPM), and records management, and captures all data in a single database, code base, and content repository. OnBase clients can leverage several modular solutions customized for a variety of financial processes and industries, including a contract lifecycle management solution. The OnBase contract management solution began as a document storage and retrieval tool for contracts managed within the core ECM software, and has evolved over time to include contract process automation, visibility into renewals, and mobile capabilities. OnBase clients that adopt the contract management solution can bring disparate documents and information together for a holistic view of their contracts, vendors, and business processes.

Founded	1991
Headquarters	Westlake, OH
Other Locations	Hyland has 13 offices across the globe, including seven in North America, three in EMEA, two in APAC, and one in Latin America
Number of Employees	2,000+
Number of Customers	14,800+
Target Verticals	Healthcare; Financial Services, Insurance; Government; Higher Education; Manufacturing; Transportation and Warehousing; Professional Services; Real Estate, Rental and Leasing; Accommodation and Food Service
Partners / Resellers	Hyland partners with over 300 authorized OnBase solution providers globally. Additionally, key strategic alliance partners include Xerox, Guidewire, Konica Minolta, and Infor Lawson

Awards / Recognitions	Leader in the Gartner Magic Quadrant, Enterprise Content Management (2010-2015); Leader in the Forrester Wave, Transactional Content Management Services, Q2 2015

Solution Overview

OnBase integrates with multiple ERP systems, and also offers a complete set of API libraries available in COM/.NET, Java, and SOAP/web services that allow programmers to leverage OnBase technology to build custom integration points, as well as add-on applications. OnBase integration capabilities also allow users to interact with and access existing systems, such as email and ERPs, without leaving the platform.

OnBase can be configured to provide procurement and sourcing capabilities, or can connect with third-party applications that already provide these capabilities. In addition, OnBase users can access documents and electronic forms and make business decisions (e.g., approving contract requests) through mobile applications designed for iOS, Android, and Windows platforms.

Many of Hyland's customers use OnBase to ensure compliance with various laws, rules, and regulations at the federal, state, and local levels. Because of the variety of regulations in different industries, the OnBase system is highly customizable, allowing users to build a solution that meets their specific business or industry needs. This includes customized support for legal departments in contract creation and negotiation processes, as well as drag and drop dashboard creation, detailed contract template design, complex structuring of user access controls, and advanced workflow configuration.

Authoring and Creation

OnBase offers both standard and customizable templates for contract creation that are especially suited for organizations using Microsoft Word. OnBase can automatically populate these templates with data already stored in OnBase or third-party systems, and users can also create new contract templates from old contracts stored in the OnBase system.

Workflow and Negotiation

The OnBase approval workflow capability can be configured to automate processes throughout the entire contract lifecycle, including contract requests, authoring, negotiation and collaboration, review and approval, execution, obligations management, expirations and renewals, and amendments. Users can configure workflows to automate as much or as little of the contract process as they require.

OnBase has the ability to store and manage contract revisions, either in the system or by leveraging Microsoft Word's track changes and version comparison features. Once the negotiation process has been finalized, OnBase can the contract in PDF format for official approval through electronic signature tools. OnBase integrates with both DocuSign eSignature and CIC Signature One Ceremony Server to manage the document signature and finalization process; OnBase also offers a Signature Pad Interface that allows users to sign documents within OnBase. Signatures remain on the document permanently, providing a secure and unalterable record of the captured document signature.

Tracking and Renewal

OnBase can track renewal and expiration dates and automatically prompt administrators and users with timely notifications. For proactive tracking, actionable reporting tools provide managers with a view of what contracts are in the queue and at what stage so the managers can quickly take action to resolve an issue and expedite the process.

Reporting and Analytics

OnBase reporting dashboards provide users with immediate visibility into contract lifecycle processes, such as contract queue statuses, or employee workload balances. Users can easily create and share dashboards that present data in a variety of graphical formats, including charts, graphs, scorecards, and maps, all with interactive features to easily monitor performance and analyze trends in real time. With OnBase WorkView, users can also add reporting graphics to their dashboards that provide a quick summary of relevant information, with drill-down capabilities for more detail.

OnBase offers both retention and records management capabilities, which can be configured to automatically purge client documents that have reached their expiration date. OnBase Records Management can support multiple retention plans and destruction options, and also offers exception handling and an administrative management interface.

Implementation and Pricing

Implementation times for the OnBase solutions vary by solution and customer needs. During implementation, OnBase offers a variety of on-site and online training classes and events for both end users and customer trainers. Customers can access detailed documentation and user guides, as well as training and user community websites that provide a place to learn more about OnBase and collaborate with other users. Throughout the business relationship, OnBase offers customers dedicated support from Account Management teams, as well as 24/7 access to Technical Support.

The licensing and pricing of OnBase is designed with diverse customer needs in mind, allowing for à la carte purchases of modular components that depend on which OnBase solution the client is currently using. When the size of an institution or other unique factors dictate, negotiated enterprise licensing is available based upon client metrics that may include number of employees or asset levels.

About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at www.paystreamadvisors.com.